

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	609.53	(9.45)	12.00	612.08	(9.50)	15.50	615.53	615.53
Personal Services	24,716,824	(527,047)	963,054	25,152,831	(510,706)	259,081	24,465,199	49,618,030
Operating Expenses	9,381,179	3,866,110	3,259,299	16,506,588	2,433,987	3,110,273	14,925,439	31,432,027
Equipment	93,986	0	0	93,986	0	0	93,986	187,972
Transfers	0	0	0	0	0	0	0	0
Debt Service	2,452	0	0	2,452	0	0	2,452	4,904
Total Costs	\$34,194,441	\$3,339,063	\$4,222,353	\$41,755,857	\$1,923,281	\$3,369,354	\$39,487,076	\$81,242,933
General Fund	29,279,359	5,218,374	4,222,353	38,720,086	3,790,357	3,369,354	36,439,070	75,159,156
State/Other Special	549,014	72,907	0	621,921	83,316	0	632,330	1,254,251
Federal Special	2,362,285	(2,063,864)	0	298,421	(2,060,783)	0	301,502	599,923
Proprietary	2,003,783	111,646	0	2,115,429	110,391	0	2,114,174	4,229,603
Total Funds	\$34,194,441	\$3,339,063	\$4,222,353	\$41,755,857	\$1,923,281	\$3,369,354	\$39,487,076	\$81,242,933

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Legislative Budget Analysis, A-145

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	609.53	620.08	612.08	(8.00)	620.03	615.53	(4.50)	
Personal Services	24,716,824	25,397,668	25,152,831	(244,837)	24,538,576	24,465,199	(73,377)	(318,214)
Operating Expenses	9,381,179	16,527,506	16,506,588	(20,918)	14,736,550	14,925,439	188,889	167,971
Equipment	93,986	133,986	93,986	(40,000)	93,986	93,986	0	(40,000)
Transfers	0	0	0	0	0	0	0	0
Debt Service	2,452	2,102,452	2,452	(2,100,000)	2,452	2,452	0	(2,100,000)
Total Costs	\$34,194,441	\$44,161,612	\$41,755,857	(\$2,405,755)	\$39,371,564	\$39,487,076	\$115,512	(\$2,290,243)
General Fund	29,279,359	41,125,841	38,720,086	(2,405,755)	36,323,558	36,439,070	115,512	(2,290,243)
State/Other Special	549,014	621,921	621,921	0	632,330	632,330	0	0
Federal Special	2,362,285	298,421	298,421	0	301,502	301,502	0	0
Proprietary	2,003,783	2,115,429	2,115,429	0	2,114,174	2,114,174	0	0
Total Funds	\$34,194,441	\$44,161,612	\$41,755,857	(\$2,405,755)	\$39,371,564	\$39,487,076	\$115,512	(\$2,290,243)

For the biennium, the legislative budget is \$2.3 million less in both general fund and total funds than the executive budget. The differences between the legislative and executive budgets are due primarily to the following factors. The legislature:

- Approved requests by the executive to withdraw funding requested to pay off the Integrated Revenue Information System (IRIS) computer system loan (\$2.1 million) and to reduce funding for seasonal returns processing staff (\$238,000);
- Replaced a request for a \$475,000 language appropriation with an appropriation of \$254,000 general fund to add 3.00 FTE for collecting delinquent income taxes;

- Approved funding for an agricultural/forest land reappraisal program at a lower level than presented in the executive budget (\$829,000 general fund lower); and
- Added funding for costs to collect child support debt (\$147,000).

Agency Highlights

Department of Revenue Major Budget Highlights	
♦	Total fund budget would increase \$12.9 million for the biennium over the base (average annual increases of 19 percent)
♦	General fund budget would increase \$16.6 million for the biennium over the base (average annual increases of 28 percent)
♦	Federal special revenue budget would decrease by \$4 million for the biennium from the base (average annual reductions of 87 percent) due primarily to the movement of the Unemployment Insurance tax collections function to the Department of Labor and Industry
♦	Significant budget increases for general fund are for: <ul style="list-style-type: none"> • Development of a new property tax system (\$5.5 million) • Replacement of the remainder of POINTS (\$4 million) • Statewide present law adjustments (\$1.8 million) • IRIS operating costs (\$1.6 million) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$1.4 million) • 8.00 FTE tax compliance staff (\$1.12 million) • Increases in field office rent payments to local governments and private landlords (\$777,000) • Funding for an agriculture/forest land reappraisal program (\$571,000) • 3.00 FTE to collect delinquent income taxes owed to the state (\$262,000)
♦	Statewide FTE reductions would eliminate 9.50 FTE by the end of the biennium and reduce general fund by \$0.9 million

Funding

The following figure summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total
01 Directors Office	\$ 8,325,936	\$ -	\$ 800	\$ 54,664	\$ 8,381,400
02 Information Technology	7,168,073	-	-	136,660	7,304,733
05 Resource Management	1,980,965	-	-	2,469,029	4,449,994
06 Customer Service Center	9,730,941	848,776	184,800	1,569,250	12,333,767
07 Business And Income Taxes Division	11,323,678	305,475	414,323	-	12,043,476
08 Property Assessment Division	36,629,563	100,000	-	-	36,729,563
Grand Total	<u>\$ 75,159,156</u>	<u>\$ 1,254,251</u>	<u>\$ 599,923</u>	<u>\$ 4,229,603</u>	<u>\$ 81,242,933</u>

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	29.00	(1.00)	0.00	28.00	(1.00)	0.00	28.00	28.00
Personal Services	1,657,995	(111,183)	0	1,546,812	(110,683)	0	1,547,312	3,094,124
Operating Expenses	670,634	3,058,951	0	3,729,585	887,057	0	1,557,691	5,287,276
Equipment	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$2,328,629	\$2,947,768	\$0	\$5,276,397	\$776,374	\$0	\$3,105,003	\$8,381,400
General Fund	2,177,182	3,071,083	0	5,248,265	900,489	0	3,077,671	8,325,936
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	121,280	(120,480)	0	800	(121,280)	0	0	800
Proprietary	30,167	(2,835)	0	27,332	(2,835)	0	27,332	54,664
Total Funds	\$2,328,629	\$2,947,768	\$0	\$5,276,397	\$776,374	\$0	\$3,105,003	\$8,381,400

Page Reference

Legislative Budget Analysis, A-150

Funding

Funding for the program comes primarily from the general fund. The proprietary funding is from a direct appropriation of Liquor Division proprietary fund and is for the Liquor Division share of Director's Office support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry, the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium. The remaining federal funds are from an allocation of funds in support of the mineral royalty audits.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				19,751						20,083
Vacancy Savings				(67,108)						(67,123)
Inflation/Deflation				(425)						(423)
Fixed Costs				59,376						(112,520)
Total Statewide Present Law Adjustments				\$11,594						(\$159,983)
DP 101 - Replacement of Federal Funds - UI Transfer										
	0.00	120,480	0	(120,480)	0	0.00	120,480	0	(120,480)	0
DP 104 - Statewide FTE Reduction										
	(1.00)	(63,826)	0	0	(63,826)	(1.00)	(63,643)	0	0	(63,643)
DP 106 - Replace the Remainder of the POINTS System										
	0.00	3,000,000	0	0	3,000,000	0.00	1,000,000	0	0	1,000,000
Total Other Present Law Adjustments										
	(1.00)	\$3,056,654	\$0	(\$120,480)	\$2,936,174	(1.00)	\$1,056,837	\$0	(\$120,480)	\$936,357
Grand Total All Present Law Adjustments				\$2,947,768						\$776,374

DP 101 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$240,960 for the biennium and increase general fund by the same amount due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs.

DP 104 - Statewide FTE Reduction - The legislature approved a reduction of \$127,469 general fund for the biennium to permanently eliminate 1.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The position that would be eliminated for this reduction is the internal quality assurance manager. The position evaluates department processes, recommends process improvements, and assists division personnel in implementing changes.

DP 106 - Replace the Remainder of the POINTS System - The legislature approved an increase of \$4.0 million general fund for the biennium to shut down the POINTS system. This funding would allow the department to contract for the implementation of the remaining tax types including: consumer counsel, contractor gross receipts, electrical energy, metal mines, nursing facility beds, public service regulation, resource indemnity, retail communication excise, wholesale energy transaction, 911, abandoned property, coal gross proceeds, coal severance, other tobacco products, telephone device for the deaf (TDD), and liquor (beer, wine, and hard cider). The legislature designate funding as one-time-only, biennial, and restricted only for the requested purpose.

Language

The legislature approved the following language for inclusion in HB2:

“Any funds remaining, up to \$1,400,000, from the appropriation authorized in section 12(1), Chapter 597, Laws of 2003, are reappropriated to the department for the 2007 biennium for the stated purpose.”

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	31.00	(2.00)	0.00	29.00	(2.00)	0.00	29.00	29.00
Personal Services	1,410,743	142,308	0	1,553,051	141,571	0	1,552,314	3,105,365
Operating Expenses	1,394,083	379,993	0	1,774,076	1,019,833	0	2,413,916	4,187,992
Equipment	5,688	0	0	5,688	0	0	5,688	11,376
Total Costs	\$2,810,514	\$522,301	\$0	\$3,332,815	\$1,161,404	\$0	\$3,971,918	\$7,304,733
General Fund	2,530,552	733,933	0	3,264,485	1,373,036	0	3,903,588	7,168,073
Federal Special	215,490	(215,490)	0	0	(215,490)	0	0	0
Proprietary	64,472	3,858	0	68,330	3,858	0	68,330	136,660
Total Funds	\$2,810,514	\$522,301	\$0	\$3,332,815	\$1,161,404	\$0	\$3,971,918	\$7,304,733

Page Reference

Legislative Budget Analysis, A-154

Funding

The Information Technology Division is funded with general fund and proprietary funds. The proprietary funding is from a direct appropriation of Liquor Division proprietary fund and is for the Liquor Division share of Information Technology Program support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry, the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					299,120					298,095
Vacancy Savings					(68,395)					(68,352)
Inflation/Deflation					(1,813)					(1,807)
Fixed Costs					(109,859)					(109,774)
Total Statewide Present Law Adjustments					\$119,053	\$118,162				
DP 201 - Replacement of Federal Funds - UI Transfer	0.00	215,490	0	(215,490)	0	0.00	215,490	0	(215,490)	0
DP 202 - IRIS Operating Costs	0.00	491,665	0	0	491,665	0.00	1,131,414	0	0	1,131,414
DP 203 - Statewide FTE Reduction	(2.00)	(88,417)	0	0	(88,417)	(2.00)	(88,172)	0	0	(88,172)
Total Other Present Law Adjustments										
	(2.00)	\$618,738	\$0	(\$215,490)	\$403,248	(2.00)	\$1,258,732	\$0	(\$215,490)	\$1,043,242
Grand Total All Present Law Adjustments					\$522,301	\$1,161,404				

DP 201 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$430,980 for the biennium and increase general fund by the same amount due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs.

DP 202 - IRIS Operating Costs - The legislature approved an increase of \$1.6 million general fund for the biennium to fund on-going operating costs for IRIS. Funding would be used to pay statewide computer network service costs, vendor maintenance and support costs, and additional printing and mailing costs of account receivable statements mailed monthly with the new system.

DP 203 - Statewide FTE Reduction - The legislature approved a reduction of \$176,589 general fund for the biennium to permanently eliminate 2.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The positions that would be eliminated for this reduction are for computer programmer analysts.

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	37.50	(1.00)	0.00	36.50	(1.00)	0.00	36.50	36.50
Personal Services	1,582,022	98,850	0	1,680,872	98,046	0	1,680,068	3,360,940
Operating Expenses	471,967	16,323	0	488,290	14,555	0	486,522	974,812
Equipment	57,121	0	0	57,121	0	0	57,121	114,242
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$2,111,110	\$115,173	\$0	\$2,226,283	\$112,601	\$0	\$2,223,711	\$4,449,994
General Fund	862,809	128,332	0	991,141	127,015	0	989,824	1,980,965
Federal Special	106,677	(106,677)	0	0	(106,677)	0	0	0
Proprietary	1,141,624	93,518	0	1,235,142	92,263	0	1,233,887	2,469,029
Total Funds	\$2,111,110	\$115,173	\$0	\$2,226,283	\$112,601	\$0	\$2,223,711	\$4,449,994

Page Reference

Legislative Budget Analysis, A-157

Funding

The Resource Management Program is funded by the general fund and proprietary funds. The proprietary funding is from a direct appropriation of Liquor Division proprietary fund and is for the Liquor Division share of Resource Management Program support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry, the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium.

The Liquor Distribution Unit is funded with a direct appropriation of Liquor Division proprietary fund. Net revenues from liquor sales are transferred to the general fund once operating costs are deducted from gross revenues.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				235,351					234,323
Vacancy Savings				(72,694)					(72,655)
Inflation/Deflation				1,188					(592)
Fixed Costs				15,135					15,147
Total Statewide Present Law Adjustments				\$178,980					\$176,223
DP 501 - Replacement of Federal Funds - UI Transfer	0.00	106,677	0	(106,677)	0	0.00	106,677	0	(106,677)
DP 505 - Statewide FTE Reduction	(1.00)	(63,807)	0	0	(63,807)	(1.00)	(63,622)	0	0
Total Other Present Law Adjustments	(1.00)	\$42,870	\$0	(\$106,677)	(1.00)	\$43,055	\$0	(\$106,677)	(\$63,622)
Grand Total All Present Law Adjustments				\$115,173					\$112,601

DP 501 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$213,354 for the biennium and increase general fund by the same amount due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs.

DP 505 - Statewide FTE Reduction - The legislature approved a reduction of \$127,429 general fund for the biennium to permanently eliminate 1.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The program would eliminate a bureau chief position.

Language

The legislature approved the following language for inclusion in HB2:

"Liquor division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profit and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in amounts not to exceed \$78,766,985 in fiscal year 2006 and \$83,497,337 in fiscal year 2007."

"In the event that the department is unable to meet statutory service levels because of the increase in demand for liquor products, the department may hire additional temporary employees or pay overtime, whichever is determined to be the more cost-effective, to maintain required service levels to stores. In fiscal year 2006 and in fiscal year 2007, the department is appropriated not more than \$40,000 each year for additional costs from the liquor enterprise fund (06005) to meet the service level requirements."

"In the liquor division, upon a termination that requires a payout of accrued leave balances, liquor division proprietary funds are appropriated from the liquor enterprise fund (06005) to the department in the amount equal to the payout of the accrued leave balances, not to exceed \$30,000 for each of fiscal years 2006 and 2007."

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	108.25	(1.00)	3.00	110.25	(1.00)	3.00	110.25	110.25
Personal Services	3,933,401	(279,958)	112,530	3,765,973	(285,193)	112,221	3,760,429	7,526,402
Operating Expenses	2,354,053	(55,418)	92,321	2,390,956	(57,940)	83,972	2,380,085	4,771,041
Equipment	18,162	0	0	18,162	0	0	18,162	36,324
Total Costs	\$6,305,616	(\$335,376)	\$204,851	\$6,175,091	(\$343,133)	\$196,193	\$6,158,676	\$12,333,767
General Fund	4,511,183	160,591	204,851	4,876,625	146,940	196,193	4,854,316	9,730,941
State/Other Special	359,397	62,044	0	421,441	67,938	0	427,335	848,776
Federal Special	667,516	(575,116)	0	92,400	(575,116)	0	92,400	184,800
Proprietary	767,520	17,105	0	784,625	17,105	0	784,625	1,569,250
Total Funds	\$6,305,616	(\$335,376)	\$204,851	\$6,175,091	(\$343,133)	\$196,193	\$6,158,676	\$12,333,767

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Legislative Budget Analysis, A-160

Funding

The Customer Service Center is funded with general fund, state and federal special revenue, and proprietary funds. Liquor Division proprietary funds are for the Liquor Division share of Customer Service Center support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund.

The delinquent account collection and enforcement activities are funded with internal service proprietary funds and are not included in the budget tables for the program. The proprietary section of this program discusses funding for the delinquent account collection and enforcement activities, and the rate requested to finance this internal service funded portion of the program.

For the 2005 biennium, federal special revenue comes from federal unemployment insurance funds. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry (DOLI), the federal unemployment insurance funds will no longer be available for program funding in the 2007 biennium. The remaining federal funds are for the administration of new hire processes.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments											
-----Fiscal 2006-----						-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services					(99,040)					(104,573)	
Vacancy Savings					(153,381)					(153,153)	
Inflation/Deflation					(40,999)					(40,996)	
Fixed Costs					36,657					34,132	
Total Statewide Present Law Adjustments					(\$256,763)	(\$264,590)					
DP 601 - Replacement of Federal Funds - UI Transfer											
	0.00	188,878		0	(239,954)	(51,076)	0.00	188,878	0	(239,954)	(51,076)
DP 602 - Statewide FTE Reduction											
	(1.00)	(27,537)		0	0	(27,537)	(1.00)	(27,467)	0	0	(27,467)
Total Other Present Law Adjustments											
	(1.00)	\$161,341		\$0	(\$239,954)	(\$78,613)	(1.00)	\$161,411	\$0	(\$239,954)	(\$78,543)
Grand Total All Present Law Adjustments					(\$335,376)	(\$343,133)					

DP 601 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$479,908 for the biennium and increase general fund by \$377,756 due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs. The net impact from this adjustment is a \$102,152 total fund reduction for the biennium due to the need for less operating expenses such as personal computer equipment, telephone equipment, and office supplies.

DP 602 - Statewide FTE Reduction - The legislature approved a reduction of \$55,004 general fund for the biennium to permanently eliminate 1.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The position that would be eliminated for this reduction is for a grade 9, collections technician.

New Proposals

New Proposals											
-----Fiscal 2006-----						-----Fiscal 2007-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 604 - Delinquent Income Tax Receivable Collection											
06	3.00	131,121		0	0	131,121	3.00	122,463	0	0	122,463
DP 605 - Child Support Debt Collection Costs											
06	0.00	73,730		0	0	73,730	0.00	73,730	0	0	73,730
Total	3.00	\$204,851		\$0	\$0	\$204,851	3.00	\$196,193	\$0	\$0	\$196,193

DP 604 - Delinquent Income Tax Receivable Collection - The legislature approved an increase of \$262,203 general fund for the biennium to add 3.00 FTE and operating costs to collect delinquent income tax receivables. Based on department testimony, the legislature expects that the function would annually collect \$1.2 million of delinquent income taxes owed to the state. The legislature directed that the department provide a report to the 2007 General Government and Transportation Joint Appropriations Subcommittee that identifies the costs and annual collections attained by the function funded with this adjustment.

DP 605 - Child Support Debt Collection Costs - The legislature approved an increase of \$147,460 general fund for the biennium to fund debt collection costs for collecting overpaid child support payments made to custodial parents and delinquent child support payments from non-custodial parents. Funding augments proprietary funds for the collection of these two specific collection functions. Funding is biennial and restricted.

Language

The legislature approved the following language for inclusion in HB2:

"Funds are not appropriated or otherwise made available to the department to support continuation of individual income tax debt collection contracts entered into before July 1, 2005."

Proprietary Rates**Proprietary Program Description**

The Customer Services Center provides the collection services function that collects debt associated with delinquent accounts. The collection services function serves all state agencies and is funded through a service charge for collecting on delinquent accounts.

Proprietary Revenues and Expenses

The department charges a 10 percent commission to provide collection services on delinquent accounts. The center collects the largest amount of revenues on delinquent accounts through offsets of individual income tax refunds and through offsets of refunds made by the Department of Fish, Wildlife & Parks after a permit applicant is unsuccessful in drawing a hunting permit. The timing of these two major collection sources necessitates the center maintaining a 9-month working capital balance to fund expenses throughout the year. These funds are used to pay the expenses of the center, including 3.50 FTE. Personal services costs account for approximately 74.0 percent of program costs. The remaining costs are related to rent, computer access and processing, and a percentage of the statewide fixed costs allocated to this function.

Proprietary Rate Explanation

The legislature approved a rate of 10 percent of the amount of delinquent accounts collected by the program as the rate for funding the delinquent account debt collection function. The legislature separately appropriated, in HB 2, funding to collect overpaid child support payments made to custodial parents (debt code 43) and delinquent child support payments from non-custodial parents (debt code 44), and directed the department not to apply the delinquent account collection fee for these two debt codes.

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	102.78	(1.30)	8.00	109.48	(1.35)	8.00	109.43	109.43
Personal Services	4,491,320	(41,697)	818,399	5,268,022	(24,270)	0	4,467,050	9,735,072
Operating Expenses	981,685	8,347	301,601	1,291,633	9,086	0	990,771	2,282,404
Equipment	13,000	0	0	13,000	0	0	13,000	26,000
Total Costs	\$5,486,005	(\$33,350)	\$1,120,000	\$6,572,655	(\$15,184)	\$0	\$5,470,821	\$12,043,476
General Fund	4,091,878	1,005,076	1,120,000	6,216,954	1,014,846	0	5,106,724	11,323,678
State/Other Special	142,805	7,675	0	150,480	12,190	0	154,995	305,475
Federal Special	1,251,322	(1,046,101)	0	205,221	(1,042,220)	0	209,102	414,323
Total Funds	\$5,486,005	(\$33,350)	\$1,120,000	\$6,572,655	(\$15,184)	\$0	\$5,470,821	\$12,043,476

Page Reference

Legislative Budget Analysis, A-167

Funding

The Business and Income Taxes Division is funded with general fund, state special revenue, and federal special revenue. State special revenue comes from the oil and gas tax revenues. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry (DOLI), the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium. The remaining federal special revenue funding comes from reimbursements for performing mineral royalty audits.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
	-----Fiscal 2006-----					-----Fiscal 2007-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Total Funds
Personal Services					193,649				213,162
Vacancy Savings					(187,392)				(188,181)
Inflation/Deflation					(12,397)				(12,280)
Fixed Costs					172,615				173,237
Total Statewide Present Law Adjustments					\$166,475				\$185,938
DP 701 - Replacement of Federal Funds - UI Transfer									
0.00		67,528	0	(249,919)	(182,391)	0.00	67,528	0	(182,391)
DP 702 - Funding Federal Royalty Costs at FY 2004 Level									
0.00		0	0	30,520	30,520	0.00	0	0	30,520
DP 703 - Statewide FTE Reduction									
(1.30)		(47,954)	0	0	(47,954)	(1.35)	(49,251)	0	(49,251)
Total Other Present Law Adjustments									
(1.30)		\$19,574	\$0	(\$219,399)	(\$199,825)	(1.35)	\$18,277	\$0	(\$201,122)
Grand Total All Present Law Adjustments					(\$33,350)				(\$15,184)

DP 701 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$499,838 for the biennium and increase general fund by \$135,056 due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs. The net impact from this adjustment is a \$364,782 total fund reduction for the biennium.

DP 702 - Funding Federal Royalty Costs at FY 2004 Level - The legislature approved an increase of \$61,040 federal special revenue for the biennium for operating costs associated with the Federal Royalty Audit Program.

DP 703 - Statewide FTE Reduction - The legislature approved a reduction of \$97,205 general fund for the biennium to permanently eliminate 1.35 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The positions that would be eliminated for this reduction are tax examiners.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 111 - Tax Compliance Staff										
07	8.00	1,120,000		0	0	1,120,000	8.00	0	0	0
Total	8.00	\$1,120,000		\$0	\$0	\$1,120,000	8.00	\$0	\$0	\$0

DP 111 - Tax Compliance Staff - The legislature approved an increase of \$1.12 million general fund for the biennium to fund personal services and operating costs to add 8.00 FTE for compliance activities in areas where other states have found significant non-compliance with personal income tax and corporate license tax. The legislature approved the funding as restricted and biennial.

Language

The legislature approved the following language for inclusion in HB2:

"Funding in Tax Compliance Staff may be used only for personal services and operating costs for additional tax audit staff, including support and legal staff."

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	301.00	(3.15)	1.00	298.85	(3.15)	4.50	302.35	302.35
Personal Services	11,641,343	(335,367)	32,125	11,338,101	(330,177)	146,860	11,458,026	22,796,127
Operating Expenses	3,508,757	457,914	2,865,377	6,832,048	561,396	3,026,301	7,096,454	13,928,502
Equipment	15	0	0	15	0	0	15	30
Debt Service	2,452	0	0	2,452	0	0	2,452	4,904
Total Costs	\$15,152,567	\$122,547	\$2,897,502	\$18,172,616	\$231,219	\$3,173,161	\$18,556,947	\$36,729,563
General Fund	15,105,755	119,359	2,897,502	18,122,616	228,031	3,173,161	18,506,947	36,629,563
State/Other Special	46,812	3,188	0	50,000	3,188	0	50,000	100,000
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$15,152,567	\$122,547	\$2,897,502	\$18,172,616	\$231,219	\$3,173,161	\$18,556,947	\$36,729,563

Page Reference

Legislative Budget Analysis, A-170

Funding

Funding for the Property Assessment Division is from general fund and state special revenue. State special revenue is from the property valuation improvement fund and is used for increasing the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration. Revenue deposited to the fund is from a fee received as reimbursement for the cost of developing and maintaining the property valuation and assessment system database. The fee is charged to persons, federal agencies, state agencies, and other entities requesting the database or any part of the database from any department property valuation and assessment system. The fee may not be charged to the Office of Budget and Program Planning, the State Tax Appeal Board, or any legislative agency or committee.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				285,698					290,730
Vacancy Savings				(477,061)					(477,289)
Inflation/Deflation				(60,246)					(58,599)
Fixed Costs				53,424					51,654
Total Statewide Present Law Adjustments				(\$198,185)					(\$193,504)
DP 801 - Field Office Rent	0.00	374,358	0	0	374,358	0.00	396,261	0	0
DP 802 - Request for Leased Vehicles	0.00	90,378	0	0	90,378	0.00	172,080	0	0
DP 803 - Statewide FTE Reduction	(3.15)	(144,004)	0	0	(144,004)	(3.15)	(143,618)	0	0
Total Other Present Law Adjustments	(3.15)	\$320,732	\$0	\$0	\$320,732	(3.15)	\$424,723	\$0	\$0
Grand Total All Present Law Adjustments				\$122,547					\$231,219

DP 801 - Field Office Rent - The legislature approved an increase of \$770,619 general fund for the biennium to fund increases to rent payments for office space occupied by department personnel outside of Helena in county buildings and private office buildings.

DP 802 - Request for Leased Vehicles - The legislature approved an increase of \$262,458 general fund for the biennium to replace department owned vehicles with State Motor Pool leased vehicles. The department would replace 25 vehicles in FY 2006 and 24 vehicles in FY 2007. After this adjustment, the department would lease all but 11 department-owned vehicles in a fleet of 155 vehicles from the State Motor Pool.

DP 803 - Statewide FTE Reduction - The legislature approved a reduction of \$287,622 general fund for the biennium to permanently eliminate 3.15 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The positions that would be eliminated for this reduction are for property valuation specialists that perform personal property audits.

New Proposals

New Proposals											
-----Fiscal 2006-----						-----Fiscal 2007-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 804 - Property Tax Computer System											
08	0.00	2,750,000		0	0	2,750,000	0.00	2,750,000	0	0	2,750,000
DP 805 - Agricultural/Forest Land Reappraisal Program -OTO											
08	1.00	147,502		0	0	147,502	4.50	423,161	0	0	423,161
Total	1.00	\$2,897,502		\$0	\$0	\$2,897,502	4.50	\$3,173,161	\$0	\$0	\$3,173,161

DP 804 - Property Tax Computer System - The legislature approved an increase of \$5.5 million general fund for the biennium to develop and implement a new property tax computer system that would interface with IRIS. The legislature designated funding as biennial, one-time-only, and restricted for developing and implementing a new property tax computer system.

DP 805 - Agricultural/Forest Land Reappraisal Program -OTO - The legislature approved a general fund increase of \$570,663 over the biennium to add 1.00 FTE in FY 2006 and 4.50 FTE in FY 2007 and operating costs for an agricultural/forest land reappraisal program. The legislature designated funding as one-time-only.